

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Summerfield Township	County MONROE
Audit Date 6/30/04	Opinion Date 8/11/04	Date Accountant Report Submitted to State: 1/04/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Taylor & Morgan, CPA PC			
Street Address 6-2302 Stonebridge Dr	City Flint	State MI	ZIP 48532
Accountant Signature Will Morgan		Date 1-4-05	

SUMMERFIELD TOWNSHIP

MONROE COUNTY

STATE OF MICHIGAN

TOWNSHIP BOARD MEMBERS

Zelda E. Lucas
Supervisor

Tammy Bleashka
Clerk

Joan Wiederhold
Treasurer

Fred Smith
Trustee

Robert Ignatowicz
Trustee

SUMMERFIELD TOWNSHIP, MONROE COUNTY
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Certified Public Accountants

Independent Auditor's Report

August 11, 2004

Summerfield Township Board
Township Hall
26 Saline Street
Petersburg, MI 49270

Dear Board Members:

We have audited the accompanying combined financial statements of Summerfield Township, Monroe County, Michigan, as of and for the year ended June 30, 2004. These combined financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amount and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Summerfield Township, Monroe County, Michigan, at June 30, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated August 11, 2004 on our consideration of Summerfield Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the combined financial statements taken as a whole. The supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the financial statements of Summerfield Township, Monroe County, Michigan. The information has been subjected to the procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Sincerely,

Taylor & Morgan, P.C.

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Summerfield Township Management's Discussion and Analysis

This section of the Township's annual financial report presents our discussion and analysis of the Township's financial performance during the fiscal year that ended on June 30, 2004. Please read it in conjunction with the Township's financial statements, which follow this section.

Governmental Accounting Standards Board Statement No. 34

The Township implemented Governmental Accounting Standards Board Statement NO. 34 reporting requirement during the fiscal year that ended on June 30, 2004. GASB 34 reporting requirement includes this letter, which should provide a comparative analysis between the current-year and prior-year financial information. The following information presents a comparative analysis of key elements of the total governmental funds and the total enterprise funds.

Financial Highlights

- The Township's Total Net Assets are \$2,679,419
- During the year, the Township's expenditures were \$ 550,635 and \$ 729,784 was generated in taxes and other revenues
- Total net assets increased \$179,149 during fiscal year 2004.
- General fund revenues and other sources exceeded expenditures by \$(134,717).

Overview of Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Township.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township government, reporting the Townships operations in more detail than the government-wide statements.
- The governmental fund statements tell how general government services are financed in the short term as well as what remains for future spending.

The financial statements also include notes that explain some of the financial statements and provide more details data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Government-wide Statements

The government-wide statement report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide statements report the Township's net assets and how they have changed. Net assets – the difference between the Township's assets and liabilities – is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township you need to consider additional non-financial factors such as changes in the Township's property tax base.

The government-wide financial statements of the Township are divided into two categories:

- Governmental activities – Most of the Township's basic services are included here, such as community development and general administration. Property taxes and state and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Township's most significant fund – not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Township Board establishes other funds to control and manage money for particular purposes such as the Road and Fire Funds to show that it is properly using taxes collected for both funds.

The Township has two kinds of funds:

- Governmental funds – Most of the Township's basic services are included in the two governmental funds, which focus on (1) how cash and other financial assets that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statement, we provide additional information on the statements or subsequent page that explains the relationship (or differences) between the two sets of statements.
- Fiduciary fund – This accounts for activity in the tax collection fund.

Financial Analysis of the Township as a Whole

Changes in Net assets

The Township's combined net assets are \$2,679,419. In comparison, last year's net assets were \$2,500,270, an increase of \$179,149.

Governmental Activities

Total revenues decreased \$6,741 as compared to 2003.

Total expenses decreased \$338,476 as compared to 2003, mainly due to decreased capital expenditures.

Financial Analysis of the Township's Funds

As the Township completed the year, its governmental funds reported a combined fund balance of \$1,491,389, an increase of \$61,242 over last year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget consisted of a \$124,483 decrease in various line items. Revenues were less than expected in state aid. Interest revenue was lower than anticipated due to reduction in anticipated interest rates.

Capital Assets

At the end of June 30, 2004 the Township had invested 1.4 million in capital assets, net of accumulated depreciation. This amount complies with methods for the reporting of capital assets established by the Governmental Accounting Standards Board (GASB).

Economic Factors and Next Year's Budgets and Rates

The State's economy has not improved for the past three years therefore we can anticipate State Shared Revenues to remain flat or decrease by 3-5 %. The Township's general fund tax levy of less than one mill has not increased in over thirty years. With the increase cost in roads and fire department expenses we should consider increasing our millage in the near future.

Contacting the Township's Financial Administration

This financial report is designed to provide our citizens, taxpayers, and customers with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information please contact us at the township hall in Petersburg, Michigan.

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF NET ASSETS
JUNE 30, 2004

	Assets	<u>Governmental Activities</u>
Current Assets		
Cash, Cash Equivalents and Investments	\$	1,347,003
Due from Other Funds		101,774
Due from Other Governmental Units		<u>42,967</u>
Total Current Assets		1,491,744
Non-Current Assets		
Capital Assets		
Land, Buildings and Equipment		1,835,019
Less: Accumulated Depreciation		<u>(446,116)</u>
Net Capital Assets		<u>1,388,903</u>
Total Non-Current Assets		<u>1,388,903</u>
Total Assets	\$	<u><u>2,880,647</u></u>
	Liabilities	
Current Liabilities		
Accounts Payable	\$	355
Accrued Interest		9,307
Current Portion of Long-Term Obligations		<u>19,390</u>
Total Current Liabilities		29,052
Non-Current Liabilities		
Non-Current Portion of Long-Term Obligations		<u>172,176</u>
Total Non-Current Liabilities		<u>172,176</u>
Total Liabilities		201,228
	Net Assets	
Net Assets		
Invested in Capital Assets, Net of Related Debt		1,188,030
Unrestricted		<u>1,491,389</u>
Total Net Assets		<u>2,679,419</u>
Total Liabilities and Net Assets	\$	<u><u>2,880,647</u></u>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

		Program Revenues		Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
Functions/Programs				
Governmental Activities				
Legislative	4,188			(4,188)
General government	\$ 226,903	\$ 35,224	\$	\$ (191,679)
Public Safety	113,624	53,955		(59,669)
Public Works	124,379			(124,379)
Recreation and culture	20,107			(20,107)
Pension expense	8,300			(8,300)
Debt service	12,377			(12,377)
Unallocated Depreciation	40,757			(40,757)
Total Governmental Activities	\$ 550,635	\$ 89,179	\$ -	(461,456)
General Purpose Revenues				
Property Taxes				351,560
State Grants				231,266
Interest				9,824
Other				47,955
Total General Revenue				640,605
Change in Net Assets				179,149
Net Assets - July 1				2,500,270
Net Assets - June 30				\$ 2,679,419

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2004

	General Fund	Road Fund	Fire Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 437,534	\$ 307,629	\$ 353,178	\$ 44,415	\$ 1,142,756
Investments	201,747			2,500	204,247
Due from other funds	101,774	18,791	24,710		145,275
Due from other governmental units	42,967				42,967
Total Assets	\$ 784,022	\$ 326,420	\$ 377,888	\$ 46,915	\$ 1,535,245
Liabilities and Fund Balance					
Liabilities					
Accounts Payable	\$ 355	\$	\$	\$	\$ 355
Due to Other Funds	38,625	4,876			43,501
Total Liabilities	38,980	4,876	-	-	43,856
Fund Balance					
Unreserved					
Undesignated	745,042	321,544	377,888	46,915	1,491,389
Total Fund Balance	745,042	321,544	377,888	46,915	1,491,389
Total Liabilities and Fund Balance	\$ 784,022	\$ 326,420	\$ 377,888	\$ 46,915	\$ 1,535,245

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2004

Total Governmental Fund Balances		\$	1,491,389
Amounts reported for governmental activities in the Statement of Net Assets are different because:			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of Net Assets	\$	1,835,019	
Accumulated Depreciation		<u>(446,116)</u>	1,388,903
In the Statement of Net Assets, interest has been accrued on contracts payable as of June 30, 2004			
			(9,307)
Long-Term Liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-Term Liabilities at year end consist of:			
Contracts payable	\$	<u>191,566</u>	
Total Long-Term Liabilities			<u>(191,566)</u>
Total Net Assets - Governmental Activities		\$	<u><u>2,679,419</u></u>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

	General Fund	Road Fund	Fire Equipment Fund	Other Nonmajor Funds	Total Governmental Funds
Revenues					
Taxes	\$ 82,832	\$ 89,561	\$ 179,167	\$	\$ 351,560
Licenses and permits	31,255				31,255
State grants	231,266				231,266
Charges for services	57,924				57,924
Interest	5,305	2,051	2,244	224	9,824
Other	37,779			10,176	47,955
Total Revenues	446,361	91,612	181,411	10,400	729,784
Expenditures					
Legislative	4,188				4,188
General government	258,354			-	258,354
Public Safety	124,470				124,470
Public Works	103,102	21,277			124,379
Recreation and culture	43,626			14,481	58,107
Pension expense	8,300				8,300
Debt service	30,788		59,956		90,744
Total Expenditures	572,828	21,277	59,956	14,481	668,542
Excess of Revenues over Expenditures	(126,467)	70,335	121,455	(4,081)	61,242
Other Financing Sources/(Uses)					
Loan proceeds	-				-
sales of fixed assets	-				-
Operating Transfers	(8,250)			8,250	-
Total Other Financing Sources/(Uses)	(8,250)	-	-	8,250	-
Net Changes in Fund equity	(134,717)	70,335	121,455	4,169	61,242
Fund equity - beginning of year	879,759	251,209	256,433	42,746	1,430,147
Fund equity - end of year	\$ 745,042	\$ 321,544	377,888	46,915	\$ 1,491,389

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Total Net Change in Fund Balances - Governmental Funds	\$	61,242
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Amounts reported for governmental activities in the Statement
of Activities are different because:

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capitalized Assets	\$ 80,297		
Depreciation Expense	<u>(40,757)</u>		39,540

Interest on long-term debt in the Statement of Activities includes accrued interest, while the Governmental Funds statement does not. The decrease in accrued interest at June 30, 2004 was \$2,354.

2,354

Repayment of note principal is an expenditure in the Governmental Funds, but the repayment reduces Long-Term Liabilities in the Statement of Net Assets. This is the amount of repayments reported as expenditures in the Governmental Funds.

76,013

Change in Net Assets of Governmental Activities	\$	<u><u>179,149</u></u>
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See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2004

	<u>Agency Funds</u>
Assets:	
Cash and Cash Equivalents	\$ <u>101,826</u>
Liabilities:	
Due to other governmental units	\$ 52
Due to other funds	<u>101,774</u>
Due to other funds	\$ <u>101,826</u>

See accompanying notes to basic financial statements

SUMMERFIELD TOWNSHIP, MONROE COUNTY
NOTES TO FINANCIAL STATEMENTS

NOTE A - DESCRIPTION OF TOWNSHIP OPERATIONS AND FUND TYPES

Summerfield Township is located in the western end of Monroe County and covers an area of 36 square miles. The Township operates under an elected, five-member Board of Trustees which also includes the elected Supervisor, Clerk, Treasurer, and two Trustees, and provides service, including fire protection, road maintenance, and community enrichment and development to its residents.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Summerfield Township conform to generally accepted accounting principles as applicable to school Townships. The following is a summary of the significant accounting policies:

In June 1999 the Governmental Accounting Standards Board (GASB) issued *Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the Statement include the following:

- A Management Discussion and Analysis (MD&A) section to provide an analysis of the Township's overall financial position and results of operations.
- Financial statements prepared with full accrual accounting for all of the Township's activities.
- A change in the fund financial statements to focus on the major funds.

Reporting Entity

In evaluating how to define the government for financial purposes, management has considered all potential component units. The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters.

Basis of Accounting

Basic Financial Statements – Government-wide Statements

The Township's basic financial statements include both government-wide (reporting the Township as a whole) and fund financial statements (reporting the Township's major funds). The government-wide financial statements categorize primary activities as either governmental or business type. All of the Township's activities are classified as governmental activities. Fiduciary funds are not included in the government-wide financial statements.

In the government-wide Statement of Net Assets, the governmental activities column is presented on a consolidated basis and is reported on a full-accrual economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Township's net assets are reported in three parts: invested in capital assets net of related debt; restricted net assets; and unrestricted net assets. The Township first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Township's functions. General government revenues (property taxes, certain intergovernmental revenues, fines, permits and charges, etc.) also support the functions. The Statement of Activities reduces gross expenses by related program revenues, operating grants and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary grants. The net costs by function are normally covered by general revenue (property taxes, state and federal sources, interest income, etc.).

Interfund transactions have been eliminated in the government-wide financial statements.

Basic Financial Statements - Fund Financial Statements

The accounts of the Township are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the combined financial statements in this report, into five generic fund types in two broad fund categories as follows:

Governmental Funds

Governmental funds are those funds through which most school Township functions typically are financed. The acquisition, use, and balances of the Township's expendable financial resources and the related current liabilities are accounted for through governmental funds.

General Fund- This fund is used to account for all financial resources except those provided for in another fund. Revenues are derived primarily from property taxes, State shared revenues, and other intergovernmental revenues. The General Fund accounts for the general operating expenditures which are not recorded elsewhere.

Special Revenue Funds - These funds are used for specific revenue (other than special assessments, expendable trusts, or major capital projects) derived from State and Federal grants, General Fund appropriations or charges for services which are to be expended for specific purposes as dictated by legal, regulatory or administrative requirements.

Trust and Agency Funds

These funds account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an agency fund.

Basis of Accounting/Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Accrual -Governmental activity in the government-wide financial statements is presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual -The governmental funds financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt are recognized when due.

Those revenues susceptible to accrual are property taxes, state aid, interest revenue, grants and charges for services. Other revenue is recorded when received.

The Township reports deferred revenue on its governmental funds balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable"

and "available" criteria for recognition in the current period. Deferred revenues also arise when the Township receives resources before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Property, Plant and Equipment - Capital expenditures within the operating funds are charged against operations during the year of purchase.

Other Financing Sources (Uses) - The transfers of cash between the various Township funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out).

Budgets - Public Act 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amount budgeted. In the body of the financial statements, the Township's actual and budgeted expenditures for the period have been shown as adopted by function on a modified accrual basis. Budget vs. actual results were monitored through the year and the budgets were amended prior to fiscal year end.

Cash & Cash Equivalents - Cash equivalents are short-term investments that are readily convertible into cash or have a maturity date of 90 days or less from the date of purchase. Investments represent certificates of deposit with a maturity of over 90 days and are recorded at cost, which approximates market.

Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE C - GENERAL LONG-TERM DEBT

The following is a summary of the Township's debt transactions for the year ended June 30, 2004.

	<u>Land Contract</u>	<u>Total</u>
<u>Payable at June 30, 2003</u>	\$ 267,579	\$ 267,579
Debt Redeemed:		
New Fire Hall Property	(57,712)	(57,712)
FMIO, Inc. Property	<u>(18,301)</u>	<u>(18,301)</u>
<u>Payable at June 30, 2004</u>	<u>\$191,566</u>	<u>\$191,566</u>

The FMIO, Inc. Property contract has a 15 year maturity date with interest at 5.95%. Total annual requirements to amortize long-term debt outstanding as of June 30, 2004 including interest payments of \$54,738 are as follows:

Year Ending
June 30,

2005	\$ 30,788
2006	30,788
2007	30,788
2008	30,788
2009 and thereafter	123,152

NOTE D - RECOGNITION OF TAX REVENUE

The Township property tax is levied each December 1, on the state equalized valuation of property located in the Township as of the preceding December 31. The Township's 2003 ad valorem tax is levied and collectible on December 1, 2003, and according to generally accepted accounting principles, revenues from the current tax levy are recognized in the current year when the proceeds of this levy are budgeted and made available for the financing of Township operations.

The 2003 taxable valuation of Summerfield Township amounted to \$93,139,596, on which ad valorem taxes of .9422 mill were levied for Township operating purposes and 2.8132 mills were levied for special revenue purposes.

NOTE E - INVESTMENTS

The Township maintains separate deposit accounts for the General Fund, Special Revenue Fund and Tax Collection Fund. At June 30, 2004, the carrying amount of the Township deposits was \$1,449,687 and the bank balance was \$1,463,833. Of the bank balance, \$200,000 was covered by Federal depository insurance and \$1,263,833 was uninsured.

Investments: Board policy authorized the Township to invest in obligations of the U.S. Treasury, bank certificates of deposit, commercial paper rated prime, money market funds, and investment pools.

The Township investments are categorized as follows to give an indication of the level of risk assumed by the liability at June 30, 2004. Category one includes investments that are insured or registered for which the securities are held for the Township or its agency in the Township's name. Category two includes uninsured and unregistered investments for which the securities are held by the broker or dealers trust department or agent in the Township's name. Category three includes uninsured and unregistered investments for which securities are held by the broker or dealers, or by its trust department or agency but not in the Township's name. During the year, the Township had no outstanding investments that could be classified under any of the three categories.

NOTE F - PENSION PLAN

The Township maintains a defined contribution pension plan for its officers and employees. Substantially all employee groups are covered, and 100% vesting is immediate. Contributions are based on a percentage of salary earned. The Township's current year covered payroll and its total current year payroll for all employees amounted to \$144,627.

Contributions for the year ending June 30, 2004 totaled \$8,213.

NOTE G - INTERFUND PAYABLES/RECEIVABLES

As of June 30, 2004, The Township's interfund payables/receivables were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General Fund	\$ 101,774	\$ 38,625
Agency Fund		101,774
Special Revenue Fund	43,501	4,876
Total	\$ <u>145,275</u>	\$ <u>145,275</u>

NOTE H – RISK MANAGEMENT

The Township is exposed to various risks of loss in conducting its operations, from property and casualty theft and damage to various tort and liability claims. The Township purchases commercial insurance coverage to cover potential claims, and management believes this coverage is sufficient to protect it from any significant adverse financial impact.

NOTE I – BUILDING FUND

Michigan Department of Treasury Local Audit Letter 2000-6 states that local units can retain compliance with P.A. 245 of 1999, Statewide Construction Code Act, by accounting for building department revenues in the General Fund only as long as the local unit's fee structure is not intended to recover the full cost of the enforcing agency and the local unit has the ability to track the full costs and revenues of this activity with creating a separate fund. Summerfield Township complies with these provisions, and therefore, the building department activity is recorded in the General Fund.

Building department revenues and expenditures for the year ended June 30, 2004, are as follows:

Revenues	\$24,257
Expenditures	\$19,340

The expenditures listed above include only direct costs for the building department; an allocation for occupancy, insurance and other indirect costs is not included. It is management's opinion that, were the indirect costs included, building department revenues would not recover the full cost of the activity.

NOTE J – BUDGET

As noted in the financial statements, the general fund's actual expenditures exceeded budgeted amounts by \$70,140, and the road fund's expenditures exceeded budgeted amounts by \$13,277.

NOTE K – CHANGES IN CAPITAL ASSETS

Summary of capital asset transactions:

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Balance June 30, 2004</u>
Land, Buildings & Equipment	\$1,754,722	\$ 80,297	\$1,835,019
Less: Accumulated Depreciation	<u>(405,359)</u>	<u>(40,757)</u>	<u>(446,116)</u>
Net Value	<u>\$1,349,363</u>	<u>\$ 39,540</u>	<u>\$1,388,903</u>

Additions consisted of a building, water taps, and various equipment.

Depreciation expense for the year in the amount of \$40,757 was recorded on the statement of activities as unallocated depreciation.

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 82,751	\$ 82,980	\$ 82,832	\$ (148)
Licenses & permits	25,000	27,000	31,255	4,255
State grants	254,000	228,000	231,266	3,266
Charges for services	56,000	58,000	57,924	(76)
Interest	9,000	11,300	5,305	(5,995)
Other	25,000	25,000	37,779	12,779
Total Revenues	451,751	432,280	446,361	14,081
Expenditures				
Legislative				
Township board	8,750	6,600	4,188	2,412
General government				-
Supervisor	21,000	17,000	16,283	717
Treasurer	26,000	15,000	13,722	1,278
Clerk	25,000	19,000	18,438	562
Assessing	20,000	26,000	25,099	901
Legal and audit	22,500	15,300	14,366	934
Building and grounds	101,000	72,850	128,067	(55,217)
Cemetery	60,000	40,000	42,224	(2,224)
Elections	10,000	300	155	145
Public safety				-
Building inspector	20,000	22,800	19,340	3,460
Fire department	150,000	100,000	99,680	320
Planning commission	15,000	15,000	4,166	10,834
Board of appeals	2,200	1,700	1,284	416
Public works				-
Roads and drains	96,000	107,000	103,102	3,898
Recreation and culture				-
Library			39,403	(39,403)
Recreation	5,000	5,050	4,223	827
Pension expense	8,000	8,300	8,300	-
Debt service	36,721	30,788	30,788	-
Total Expenditures	627,171	502,688	572,828	(70,140)
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers	(8,000)	(8,250)	(8,250)	-
Total Other Financing Sources/(Uses)	(8,000)	(8,250)	(8,250)	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(183,420)	(78,658)	(134,717)	(56,059)
Fund equity - beginning of year	879,759	879,759	879,759	-
Fund equity - end of year	\$ 696,339	\$ 801,101	\$ 745,042	\$ (56,059)

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - ROAD FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budget		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 86,424	\$ 87,276	\$ 89,561	\$ 2,285
Licenses & permits				
State grants				
Charges for services				
Interest	2,000	2,000	2,051	51
Other				-
Total Revenues	88,424	89,276	91,612	2,336
Expenditures				
Public works				
Roads and drains	150,000	8,000	21,277	(13,277)
Total Expenditures	150,000	8,000	21,277	(13,277)
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(61,576)	81,276	70,335	(10,941)
Fund equity - beginning of year	251,209	251,209	251,209	-
Fund equity - end of year	\$ 189,633	\$ 332,485	\$ 321,544	\$ (10,941)

SUMMERFIELD TOWNSHIP, MONROE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE - FIRE EQUIPMENT FUND
FOR THE YEAR ENDED JUNE 30, 2004

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 172,893	\$ 174,598	\$ 179,167	\$ 4,569
Licenses & permits				
State grants				
Charges for services				
Interest	5,000	2,000	2,244	244
Other				-
Total Revenues	177,893	176,598	181,411	4,813
Expenditures				
Public safety				
Fire department	140,248	-		-
Debt service	59,752	59,957	59,956	1
Total Expenditures	200,000	59,957	59,956	1
Other Financing Sources/(Uses)				
Loan proceeds				-
Sale of fixed assets				-
Operating transfers				-
Total Other Financing Sources/(Uses)	-	-	-	-
Excess of Revenues Over/(Under) Expenditures and Other Financing Sources/(Uses)	(22,107)	116,641	121,455	4,814
Fund equity - beginning of year	256,433	256,433	256,433	-
Fund equity - end of year	\$ 234,326	\$ 373,074	\$ 377,888	\$ 4,814

SUMMERFIELD TOWNSHIP
NONMAJOR FUNDS BALANCE SHEET
JUNE 30, 2004

Assets	Special Revenue Funds		Total (Memorandum Only) June 30, 2004
	Cemetery Improvement Fund	Library Fund	
Cash and cash equivalents	\$ 40,562	\$ 3,853	\$ 44,415
Investments		2,500	2,500
Total Assets	\$ <u>40,562</u>	\$ <u>6,353</u>	\$ <u>46,915</u>
Liabilities & Fund Equity			
Fund Equity:	\$	\$	\$
Unreserved	<u>40,562</u>	<u>6,353</u>	<u>46,915</u>
Total Liabilities & Fund Equity	\$ <u>40,562</u>	\$ <u>6,353</u>	\$ <u>46,915</u>

SUMMERFIELD TOWNSHIP
NONMAJOR FUNDS STATEMENT OF REVENUES, EXPENDITURES, CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2004

	Special Revenue Funds		Total (Memorandum Only) June 30, 2004
	Cemetary Improvement Fund	Library Fund	
Revenues:			
Lot sales	\$ 6,275	\$	\$ 6,275
Interest	224		224
Other		3,901	3,901
Total Revenues	6,499	3,901	10,400
Expenditures	-	14,481	14,481
Excess of revenues over/ under expenditures	6,499	(10,580)	(4,081)
Other financing sources (uses):			
Operating transfers in(out)		8,250	8,250
Total other financing sources (uses)	-	8,250	8,250
Excess of revenues and other sources over (under) expenditures and other uses	6,499	(2,330)	4,169
Fund equity - beginning of year	34,063	8,683	42,746
Fund equity - end of year	\$ 40,562	\$ 6,353	\$ 46,915

SUMMERFIELD TOWNSHIP, MONROE COUNTY
OTHER SUPPLEMENTAL INFORMATION
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2004

	<u>Balance</u> <u>July 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2004</u>
Assets				
Cash and Cash Equivalents	\$ <u>94,156</u>	\$ <u>2,286,225</u>	\$ <u>2,278,555</u>	\$ <u>101,826</u>
Liabilities				
Due to:				
Other funds	\$ 94,156	\$ 349,549	\$ 341,931	\$ 101,774
Other governmental units	-	1,936,676	1,936,624	52
	\$ <u>94,156</u>	\$ <u>2,286,225</u>	\$ <u>2,278,555</u>	\$ <u>101,826</u>



Certified Public Accountants

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

August 11, 2004

To the Township Board
Summerfield Township

We have audited the financial statements of Summerfield Township as of and for the year ended June 30, 2004, and have issued our report thereon dated August 11, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Summerfield Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Summerfield Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the members of the board of Summerfield Township. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in cursive script that reads "Taylor & Morgan, P.C.".

TAYLOR & MORGAN, P.C.
Certified Public Accountants

Summerfield Township
Report of Comments and Recommendations
June 30, 2004

Although our examination disclosed no material weaknesses in the internal control structure of Summerfield Township, the following are areas where further review and/or improvements may be made.

Disbursements

Currently, all general fund check disbursements require two signatures. This control procedure helps ensure township funds are used only for approved and proper purposes. However, other accounts, such as the fire and road millage checking accounts, do not have a two-signature requirement.

We recommend this control procedure be applied to all Township accounts.